

**CALIFORNIA COMMUNITY COLLEGES
SYSTEM OFFICE**

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Memorandum

October 22, 2007

**FP 07-07
Via E-Mail Only**

To: Chief Executive Officers
Chief Business Officers
Facilities Planners
Other Interested Parties

From: Frederick E. Harris, Assistant Vice Chancellor
College Finance and Facilities Planning

Subject: System Office Oversight of State Funded Capital Outlay Projects

In a letter dated June 7, 2007 from the Joint Legislative Budget Committee (JLBC) and signed by the Chair of the Committee, Senator Denise Ducheny, concerns were raised about the System Office's ability to ensure adherence by districts to the state approved scope of capital outlay projects. These concerns stemmed from scope changes made on 3 projects without proper notification to the Legislature BEFORE work was commenced. The specific concerns were:

1. Failure to Follow the Process
2. Significant Reduction in Program Space Without Justification
3. Schedule Delays Increase Cost and Contribute to Scope Reduction

We wrote a detailed response to the state Director of Finance responding to these concerns. What is unfortunate is that policymakers now have entrenched in their minds the notion that community colleges are having difficulties managing their projects due to problems that occurred with these 3 projects' scope. I have heard this concern voiced more than once in subsequent State Public Works Board (PWB) hearings.

In our response to the Director of Finance, we offered a series of recommendations to remedy the situation, including:

Send a letter to all 72 Community College Districts that reiterates reporting requirements and procedures of the State Public Works Board and the Legislature for changes in project scope.

The purpose of this memorandum is to fulfill that recommendation, and serve as a reminder to districts that frequent communication with your System Office facilities specialist is essential to ensure successful management and completion of your state capital outlay project.

Background

The System Office Facilities Planning Unit has the weighty task of managing 375 capital outlay project appropriations that span 8 fiscal years. An additional 103 capital outlay budget change proposals (COBCP) are awaiting review and approval for funding consideration in 2008-09. We also have received approximately 150 additional capital outlay proposals for funding consideration in 2009-2010.

The volume of capital outlay projects that are managed by the System Office is truly daunting. While we certainly share the JLBC's concern regarding appropriate oversight and project management, especially regarding the three projects in question, we know that the issues with these projects are not typical, and that the balance of the hundreds of projects we are entrusted are successfully managed with appropriate and required oversight. However, to ensure that issues like these will not occur again, we want to review with you the following information.

What is meant by Scope and Scope Change?

Project "scope" is expressed as a combination of the educational or support program objectives and the square footage or systems required to meet those objectives. It is defined by the district and the System Office in accordance with state standards. The official scope is expressed in the Final Project Proposal (FPP) and the budget language associated with legislative approval and funding of the project. Once the scope has been state approved, the district is responsible for assuring that the scope is consistent throughout the project, not significantly increasing or decreasing.

If the FPP scope is approved by the Board of Governors, the FPP becomes a COBCP and is submitted to the Department of Finance (DOF) for consideration of funding in the Governor's Budget. Upon enactment of the State Budget the project's scope, cost and schedule become state approved. Therefore, the FPP is a request by the district for state funding, and the state approval of the scope and funding are the formal acceptance by the state and commitment of both parties of the district's request.

California Government Code, Section 13332.11(b) requires that:

"No substantial change shall be made from the preliminary plans or working drawings as approved by the State Public Works Board and the Department of Finance without written approval by the Department of Finance."

Changes in scope are defined as:

- Reconfiguration of room spaces
- Reassignment of room functions between space types
- Changes in program purposes
- Changes in building design or location

Scope Changes must be approved by DOF prior to commencing work on the changes to working drawings or preliminary plans. If major changes are being considered by the district, DOF may require notification to the Legislature and request approval of revised preliminary plans by PWB. This approval must be granted before the district can make any expenditure to redesign the project or to revise the plans. DOF determines whether a proposed change is substantial and therefore a scope change based on review of the facts on a case-by-case basis and in consideration of legislative intent.

The System Office by law cannot support any significant changes in scope after preliminary plans are approved unless DOF authorizes such changes. The district is advised to be absolutely certain of the

scope prior to submitting preliminary plans. Accordingly, no significant changes should be made prior to bidding the construction contract without first informing the System Office of the change. It is incumbent on the district to set an accurate scope and budget and then exercise control during the project in accordance with the final project proposal and the budget language.

Reporting Requirements

A major component of project administration and oversight is the regular communication between the System Office and the district. Also DOF is informed by our office regularly on project specific issues, and advice and guidance is often sought from them when problems arise.

Government Code Section 13332.11 outlines the reporting requirements for state capital outlay projects and provides the statutory framework for project management and oversight. State project administration occurs at several milestones over the life of a project such as:

- encumbrance and release of preliminary plan funds
- approval of preliminary plans
- encumbrance and release of working drawing funds
- encumbrance of construction funds providing the authority to proceed to bid/rebid
- release of construction funds providing the authority to award bid
- encumbrance and release of Group II equipment funds
- approval of scope and/or cost changes at any stage (if necessary)
- reversion of funds (System Office/DOF initiated action)

It is important that you contact your System Office facilities specialist at least each time your project reaches one of these important milestones, if not before if changes are occurring. This will prevent incomplete submittals and ensure timely processing of your project. Missing or incomplete information can delay your project and jeopardize funding.

In closing, the System Office Facilities Planning Unit manages hundreds of capital outlay projects that typically span 8 fiscal years. It is an arduous responsibility and only works well when the district actively participates in the process with us. The Facilities Planning Unit staff on your behalf report to DOF, the PWB and the Legislative Analyst's Office on the status of your projects complying with government oversight requirements. It is important that you familiarize yourself with the abovementioned processes and reporting requirements and contact your System Office facilities specialist if you have any questions during the course of your project.

The System Office takes its statutory obligations and appropriate oversight responsibilities very seriously. Over the years, we have attained a very impressive track record of obtaining funding for the system and then successfully managing the capital outlay projects that are funded. Our continued success depends a great deal on you. With appropriate project management, oversight and communication, we can continue our combined success. If you have any questions or would like to discuss this memorandum further, please contact your System Office facilities specialist.